





UNITED STATES DEPARTMENT OF EDUCATION  
WASHINGTON, D.C. 20202

September, 1989

GEN-89-49

SUMMARY: Questions and Answers on cost of attendance provisions

FEDERAL STUDENT FINANCIAL AID HANDBOOK REFERENCE:  
Chapter 2, Section 2 of the 1989-90 Federal Student Financial Aid Handbook.

Dear Colleague:

Attached are several Questions and Answers based on recent inquiries. These Questions and Answers primarily concern issues related to the new cost of attendance provisions implemented by the Higher Education Amendments of 1986. Also, clarification is provided regarding minimum program lengths required in the Stafford Loan, Supplemental Loans for Students (SLS), and PLUS programs.

If you have further questions concerning information in this letter, please contact the Federal Student Information Center at 1-800-333-INFO.

Sincerely,

Roberta B. Dunn  
Deputy Assistant Secretary for  
Student Financial Assistance



## COST OF ATTENDANCE

### Pell Grant

1. Q. In determining the tuition and fees component for the Pell Grant cost of attendance, must an institution continue to use only allowable fees as defined in previous years?

A. Yes.

Fees which may be included in the Pell Grant cost of attendance are limited to those which meet all of the following criteria:

1. Must be mandatory for all students or for an identifiable group of students, such as all students taking a laboratory course (equipment breakage fee) or all students enrolled in a court reporting program (dictation tape rental fee).
2. Must accrue to the institution and be charged for services performed by the institution, not by a third party such as a State licensing agency or an insurance company for a series of individual insurance policies (the institution cannot merely collect and transfer the money to another entity).
3. Must not be for items which should be covered under the allowance for room, board, and miscellaneous expenses, such as uniforms, beauty kits, and parking permits.

2. Q. For the Pell Grant cost of attendance, must an institution prorate the tuition and fees component for programs longer or shorter than an academic year?

A. The Pell Grant cost of attendance always reflects costs incurred by a full-time student for a full academic year. Therefore, if tuition and fees are charged to a student for the entire program and the program is longer or shorter than an academic year, the charges must be prorated to establish the student's cost for one full academic year. The actual calculation of the Pell Grant award adjusts for attendance for less than an academic year and for part-time enrollment.

3. Q. For the 1989-90 award year, students who are enrolled less than half-time with an SAI of "0" are eligible for a Pell Grant award. How is the Pell Grant cost of attendance calculated for these less than half-time students?
- A. The Pell Grant cost of attendance is always calculated using costs incurred by a full-time student for a full academic year. However, the cost of attendance components for less than half-time students are limited to the following:
- o actual or average tuition and fees for a full-time undergraduate student for a full academic year
  - o an institutionally determined allowance for books, supplies, and transportation only
  - o an allowance for child care which shall not exceed \$1000

As schools will already have established standard allowances for room, board, books, supplies, transportation, and miscellaneous expenses for Pell Grant recipients (calculated based on full-time costs for a full academic year), the allowance for books, supplies, and transportation for less than half-time students can be determined by subtracting the excluded allowances (room, board, and miscellaneous) from the standard allowances. One method of determining the amount to be excluded would be to calculate the ratio of the room, board, and miscellaneous expenses components in the campus-based, Stafford Loan, SLS, and PLUS cost of attendance to the total of the components for room, board, books, supplies, miscellaneous, and transportation expenses in the campus-based, Stafford Loan, SLS, and PLUS cost of attendance and apply that ratio to the standard Pell Grant allowances.

Please note: Less than half-time means any enrollment less than an institution's definition of half-time status (in accordance with section 690.2). Under the law, a student who is taking as few as one or two credit hours will be eligible to receive payment, if the student meets the definition of eligible student, is enrolled in an eligible program, and has an SAI of "0".

Campus-based (Perkins Loan, College Work-Study, and Supplemental Educational Opportunity Grant), Stafford Loan, SLS, and PLUS programs

4. Q. May an institution include costs associated with the general maintenance of family members as "dependent care" in the cost of attendance for a student?
- A. Institutional officials are authorized, through the language of the statute (with specific reference to "allowance" and "as determined by the institution"), to make a judgment about the costs to be included in the "dependent care" allowance. For example, it is permissible for a financial aid administrator to determine to include the costs of food and shelter for dependents in the "dependent care" allowance in those circumstances where the family's available income is less than the standard maintenance allowance.
5. Q. May an institution include a "handicapped" allowance in developing the standard cost of attendance provisions for less than half-time students?
- A. The cost of attendance components listed in the statute for less than half-time students are limited to:
- tuition and fees;
  - an allowance for books, supplies, and transportation (as determined by the institution); and
  - dependent care expenses.
- However, a financial aid administrator may use his or her professional judgment to include a "handicapped" allowance to reflect an individual student's special circumstances.
6. Q. Must an institution establish one standard allowance for students residing in institutionally owned or operated housing?
- A. No. The statutory language states that the allowance for room and board costs incurred by the student "for students without dependents residing in institutionally owned or operated housing shall be a standard allowance based on the amount normally assessed most of its residents for room and board." As outlined in GEN 88-7, an institution may establish different categories to reflect different dormitory costs or meal plans. If such categories are established, the institution must uniformly apply the

appropriate allowances to all students within each category established by the institution.

7. Q. An institution owns and operates housing for students with dependents. How should an institution calculate a standard room and board allowance that reflects only the costs incurred by the student?
  - A. The institution may determine the appropriate method for calculating the room and board allowance for such students. Examples of appropriate methods of calculation include, but are not limited to, (1) proration of the charge according to the number of dependents and (2) use of the standard charge for single student housing. The standard allowance may not be less than \$2500 (however, a lower amount may be set on an individual basis under the authority of section 479A of the Higher Education Act of 1965, as amended (HEA)). This allowance is based on the expenses reasonably incurred by such students and must be consistently applied.
8. Q. In the campus-based, Stafford Loan, SLS, and PLUS cost of attendance provisions, do the minimum room and board allowances of \$1500 for students without dependents residing at home with parents and \$2500 for all other students (students with dependents or students without dependents not residing with parents or in institutional housing) assume a nine-month enrollment period?
  - A. The cost of attendance for a student, in general, only covers the student's period of actual enrollment. While the statute is silent as to the period of time upon which these allowances are based, the family contribution calculation used by the Department is based on an assumption of student enrollment for nine months. As such, an institution may reasonably assume that these allowances are based upon a nine-month enrollment period and may prorate accordingly.

All programs

Program regulations required different of attendance for certain special incarcerated students. The new statutory actions in the Pell Grant Program. In an institution calculate the costs of for the Pell Grant and the campus-PLUS programs?

- A. An institution must establish its standard costs of attendance in accordance with the statute. The statute permits an institution to establish different categories of students within an allowance in developing the individual components of the costs of attendance. The institution must uniformly apply the appropriate allowances to all students within a category it establishes. Any variances must be considered on an individual basis and represent an adjustment based on professional judgment under section 479A of the HEA.

In constructing the Pell Grant cost of attendance for an incarcerated student, an institution may establish a category within the allowance for room, board, books, supplies, and miscellaneous expenses to reflect costs incurred by an incarcerated student. This allowance may be less than, but cannot exceed, \$2200.

In constructing the cost of attendance for the campus-based, Stafford Loan, SLS, and PLUS programs for an incarcerated student, the institution may establish a category for incarcerated students within the allowances it establishes. However, the standard room and board allowance it establishes may not be less than \$2500. An institution may wish to review these cases on an individual basis to determine if a reduction in the standard allowance using professional judgment as authorized by section 479A of the HEA would be appropriate for incarcerated students to reflect their actual room and board costs.

10. Q. How should an institution develop an average tuition and fees component to use in calculating costs of attendance if it has both in-State and out-of-State tuition charges
- A. An institution may establish a separate average tuition and fee charge for each category upon which it bases tuition and fee charges.

In calculating an average tuition and fees component for each category, it is not permissible for an institution to take the full-time charge of an in-State student, divide it by the out-of-State student and divide the result by the average of an inflated tuition and fees component and an understated tuition and fees component.



use the weighted average tuition and fees for all students. For example, a school with 100 students of which 10 are out-of-State may proceed as follows:

$$\begin{array}{rcl} 90 \times \text{in-State charge} & = & X \\ 10 \times \text{out-of-State charge} & = & \underline{Y} \\ \text{Total} & = & Z \\ Z \div 100 & = & \text{Weighted Average tuition and fees} \end{array}$$

### **AWARD PACKAGING**

11. Q. In completing the Application for Federal Student Aid (AFSA) or other Multiple Data Entry (MDE) application, under what circumstances should an applicant answer "1st year undergraduate" to the question "What year will you be in college?" It is important that students answer this question correctly as the Family Contribution formula includes a minimum "mandatory self-help amount" of \$700 for a first year undergraduate student or \$900 for any other student for dependent students (section 475(g)(1) of the HEA) and a minimum "family's available income" of \$700 for a first year undergraduate student or \$900 for any other student for independent students with dependents (section 477(b) of the HEA).
- A. The only time an applicant should answer "1st year undergraduate" is for the first award year (July 1 - June 30) the applicant is enrolled in postsecondary school. For any subsequent award year application, the applicant must answer either "2nd year undergraduate," "other undergraduate," or "graduate," whichever most accurately reflects the student's status.
12. Q. In developing an award package for a student who has received a Byrd Scholarship, how should a financial aid administrator treat the Byrd Scholarship award?
- A. A student's Byrd Scholarship of \$1500 may not be reduced by either the State agency or the financial aid administrator. If the scholarship, when combined with other Title IV aid, resources, and the student's expected family contribution (EFC), exceeds the student's cost of attendance, the Byrd Scholarship must be used as a substitute for the student's EFC. If any overaward results after substitution of the EFC with the Byrd

Scholarship, the financial aid administrator must follow the overaward provisions in the campus-based program regulations (34 CFR 673.27, 674.14, 675.14, and 676.14).

13. Q. With regard to developing an award package, can a Douglas Teacher Scholarship be used to substitute for the EFC? How should a financial aid administrator treat the Douglas Teacher Scholarship award?
- A. The Douglas Teacher Scholarship may not be substituted for a student's expected family contribution. When packaging Title IV aid, the financial aid administrator must treat the Douglas Teacher Scholarship as he or she would treat most other types of scholarships. If the aid administrator becomes aware of the Douglas Teacher Scholarship prior to packaging Title IV aid for the student, the Douglas Teacher Scholarship is considered as a resource in determining the student's eligibility for campus-based assistance and as estimated student financial assistance in certifying the student's eligibility for a Stafford, SLS or PLUS loan. If the aid administrator becomes aware of the Douglas Teacher Scholarship after packaging Title IV aid for the student, the administrator must adhere to the applicable overaward provision in the campus-based program regulations (34 CFR 673.27, 674.14, 675.14, and 676.14). Also, a State agency must reduce a Douglas Teacher Scholarship if the scholarship, or the scholarship plus Title IV aid, exceeds the cost of attendance under section 472 of the HEA. However, if a Douglas Teacher Scholarship plus other non -Title IV aid exceeds the cost of attendance, the Douglas Teacher Scholarship may not be reduced by the State agency or the institution. The institution or State agency may, in this circumstance, counsel the student to decline the excess funds but may not require the student to decline these excess funds.

## **INSTITUTIONAL ELIGIBILITY**

14. Q. What is the minimum program length for an institution's educational programs to qualify as eligible programs in the Stafford Loan, SLS, and PLUS programs?
- A. If the institution qualifies as a nonprofit or public "institution of higher education," the minimum program length is one year (i.e., 24 semester or trimester hours, 36 quarter hours, or 900 clock hours). If the institution qualifies as a "vocational school," the minimum program length is 8 semester or trimester hours, 12 quarter hours, or 300 clock hours. Public and private, nonprofit institutions may meet only one of these

definitions or may simultaneously meet both of them. A for-profit institution may qualify only as a vocational school. For further discussion of this issue, see pages 3-3 to 3-4, Chapter 3, of the 1989-90 Federal Student Aid Handbook.

